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SUBJECT Trade Conditions in Tientsin

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1. Efforts in Tientsin to increase exports and to encourage export trade by various means are meeting with some success. Business there involves a vast amount of red tape. This has been introduced to counter corruption in government officials and also to ensure that the quality of exports is of the highest standard in order to impress foreign buyers with the efficiency of the Government.
2. In order to carry out their industrialization program the Government collects the proceeds of all exports, in some cases allowing the official export organizations to collect a bare half to two percent as their sole profit. Many export lines are government monopolies but some are still being worked by private traders. How long this will continue no one knows, but most of the merchants believe that socialization of the export trade will proceed slowly. What has been done thus far and what is being done by the Government definitely shows a marked determination to reach the targets set.
3. The main difficulty the Government is facing is not so much the financial problem but the lack of coordination and sober centralized planning.
4. Imports at the present time consist of the raw materials required for the existing industry, gunny bags, etc. Also mild steel sheets to be made into drums for the export of vegetable oils. Many enquiries for industrial and heavy machinery are being made but the decisions are being deferred in view of the Sino-Soviet credit agreement. A foreign firm concerned with heavy machinery, however, has been assured of considerable future business, which would seem to bear out that the propaganda value of the Sino-Soviet agreement is much greater than its economical aspect. The whole of China is awaiting delivery from Russia, but to date very little has come through.
5. Trade with Europe from Tientsin is at the moment seriously hampered by the lack of direct shipping services. One of the local officials of the Government actually stated that direct service to Taku Bar has not been resumed by European lines because the British wish to keep Hong Kong in business by reason of the trans-shipment trade.

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